187 ltr

OCI DRAFT

Trends in Latin America affecting US security

United States security interests in Latin America are being affected by the sharp rise in economic nationalism, which is already threatening the availability of strategic materials; by a drift toward regionalism, as opposed to the concept of hemispheric solidarity; and by a wider acceptance of neutralist policies. Current Communist strategy seeks to exploit and further these trends.

I. Economic nationalism

Political leaders throughout most of Latin America are increasingly exploiting the appeal of economic nationalism as a panacea for all national problems. Currently, Presidents Peron of Argentina, Paz of Bolivia, Arbenz of Guatemala, and to a lesser degree Ibanez of Chile are using this political technique. Last June, for instance, Peron, in one of his familiar speeches designed to distract public attention, boasted of Argentina's progress toward economic independence and predicted that his country would be self-sufficient in fuel, iron, and steel by 1958. In Guatemala, the pro-Communist Arbenz administration has harassed large US corporations, placed almost prohibitive restrictions on future investment of foreign capital, and restricted some American imports in violation of the existing trade agreement. Some officials close to Arbenz have clearly intimated that their goal is the expropriation of all large foreign holdings in Guatemala.

Only the armed forces prevent similar nationalistic leaders from coming to power in Peru and Venezuela. In Panama, moreover, even the firmly pro-US President Remon, who took office in a strong political position last October, has been exploiting the latent Panamanian nationalism and Yankeephobia in an effort to have the 1936 Canal Zone Treaty revised to Panama's advantage.

This new leadership reflects the steady shift in political power away from the landed aristocracy to organized labor and the urban middle class. The accompanying accelerated economic transformation is characterized by migration to the cities, development of commerce, and a rapid growth in population.

With this transformation have come new economic problems and social unrest, and lower-and middle-class pressure for a wider distribution of the national income is finding political expression in new economic policies. Latin Americans are convinced that they have been held to a colonial economic status by an unfair trade relationship with the great industrial powers, that the latter rig prices against them by imposing price ceilings on imported materials while doing little to control the export prices of manufactured goods.

In particular they feel that their present role as mere suppliers of raw materials in exchange for manufactured goods leaves them helplessly dependent on the capricious demands of the big industrial nations. This sentiment found concrete expression in the first policy statement of the new Chilean Foreign Minister last December when he said that Chile sold its raw materials at low prices during the war and had to pay

high prices after the war for imported manufactured goods. He complained of the greater consideration shown by the United States after the war to Europe, as contrasted with Latin America, and intimated that countries in the same position as Chile ought to unite to assure more equitable price relationships between raw materials and manufactured goods.

To attain more stable and less dependent economies, various governments are sponsoring ambitious industrialization programs, like Peron's highly-publicized Five Year Plans. The first Plan (1947-51) pushed light industry at the expense of agriculture; the second is attempting to develop heavy industry.

Protective tariffs and exchange controls have been employed to prevent foreign competition. Sentiment is also growing for the expropriation or nationalization of foreign-owned enterprises and for stricter control over the nature of foreign investment in the country. In Chile, at present, President Ibanez seems personally opposed to nationalization of the large US-owned copper enterprises, but two of his cabinet ministers and certain other supporters agree with the active campaign for nationalization now being waged by the Communists. In Venezuela, on the other hand, almost all important leaders are wary of expropriating the oil industry and frequently allude to Mexico's 1938 experience in "killing the goose that laid the golden egg." They emphatically want greater industrialization, however, and will try to drive harder and harder bargains with foreign investors.

The impact of any such expropriation drive on American economic interests is indicated by the fact that US direct investments in Latin America at the end of 1950 totalled 4.6 billion dollars compared to 3.5 billion in the rest of the world except Canada. US trade with Latin America totalled 7 billion dollars in 1951, of which 3.6 billion was US exports. This compares with 6 billion dollars total trade with Europe, of which 4 billion was US exports.

This growing economic nationalism already threatens the flow of a number of key strategic raw materials to Western defense. Latin America, a major source of many such commodities, accounts for about 20% of the entire free world's production of petroleum, nearly 30% of its tungsten, and 18% of its tin. For the US, Latin American production is particularly important, supplying over 30 strategic mineral, fiber and chemical products. For example, about 71% of US copper imports come from Latin America--Chile alone supplying about 58% during the first 10 months of 1952. About 81% of US bauxite imports--almost one-half of the total US requirements--comes from the Dutch possession of Surinam, where there have been rumblings of political discontent during the past year, and the plants' means of protection against sabotage are most inadequate.

The recent nationalization of tin in Bolivia did not deny United States access to Bolivian tin, but did result, at least temporarily, in a decline in exports, and indications are that future output may drop. The Orbit has been able to

acquire more copper, on a clandestine basis, as a result of Chile's nationalization of marketing. Known and probable diversions of Chilean copper to the Soviet Orbit during the 12 month period ending 2 May 1952 are estimated at 15,000 metric tons.

United States imports may be affected by the change in emphasis from exploitation of raw materials for export to preservation of these raw materials for domestic industrialization programs. The availability of Brazil's oil and manganese, for example, is seriously affected by such considerations.

II. Regionalism

Directly related to economic nationalism is the trend toward regionalism as opposed to hemispheric solidarity. Most serious, largely because it is based upon Yankeephobia, is Peron's effort to substitute Argentine for United States leadership. The effectiveness of his anti-US propaganda increased in 1952, but he has recently indicated an interest in improving relations with Washington. Argentine comment on President Eisenhower has been generally favorable, and direct attacks against the United States have been reduced. Basic Peronista objectives, however, probably have not been altered. Peron's recent diplomatic overture to Ambassador Nufer appears to be similar to those of 1950 and 1951 which preceded requests for special favors.

In southern South America Peron is attempting to set up an independent regional economic bloc; Chile and Bolivia have already responded favorably to his proposals for pooling resources and setting up a customs union. Peron, through his labor attaches, is also urging Latin American labor to abandon ORIT, the hemispheric affiliate of the non-Communist International Confederation of Free Trade Unions, and join ATLAS, the Argentine-sponsored Latin American labor movement.

Another example of regionalism is found in the Caribbean area, where Guatemala and Costa Rica have in the past used the Caribbean Legion--an irregular military group of political exiles and professional revolutionaries of many nationalities --as a clandestine instrument of their "anti-dictatorhsip" foreign policy. The Legion is not considered a threat to any Caribbean government, but in recent months certain other Caribbean nations have been using the Legion's existence as a pretext for trying to organize a rightist alliance for their own purposes.

Because of their common economic problems vis-a-vis the United States, all the countries to the south have shown some tendency to form a single Latin American bloc in order to promote individual national interests. This tendency has been strengthened by their awareness of the increased power they can wield in the United Nations by casting their 20 General Assembly votes en bloc. In the Seventh General Assembly, for example, 15 Latin American countries approved the Uruguayan-Bolivian resolution affirming the sovereign right to nationalize foreign industries while the other five

abstained. In committee meetings they successfully frustrated United States attempts to define clearly the obligation of the nationalizing country to provide compensation to the foreign stockholders. All but Haiti, which abstained, voted for an Argentine resolution calling for "parity" between raw material prices and those of manufactured goods.

This regionalist tendency is also gaining strength within the Organization of American States (OAS) largely because of Latin America's awareness of the improved bargaining position given it by United States defense needs. At the 1951 meeting of American Foreign Ministers, the Latin American nations asked assistance for their general economic development in return for agreeing to the output of strategic materials.

III. Neutralism

Owing to their geographic isolation from the East-West struggle, many Latin Americans tend to neutralism, a position which finds its leading proponent in Peron. Argentina, though attacking the United States much more strongly than it does the USSR, is urging the general adoption of a "third position," of complete aloofness from what it claims are purely American-Soviet differences. Latin America, it argues, has nothing to gain and much to lose from involvement in East-West conflicts.

The growing reluctance of Latin American nations to make commitments that would bind them in the event of a new world war became apparent when the United States requested nine of them to conclude bilateral military assistance agreements. Only with Cuba, Peru, and perhaps Chile can the results be termed successful. Mexico suspended negotiations, partly because of the mid-1952 presidential election, but also because of Mexico's reluctance to become involved in commitments which might send its troops outside national boundaries; an underlying belief that Mexico's geographic position would assure US aid regardless of a bilateral agreement; and Mexican dissatisfaction with US offers of anti-aircraft equipment rather than for improving Mexico's own military industry. The Dominican Republic is still negotiating; Brazil and Uruguay have thus far failed to ratify the agreements they signed almost a year ago. Colombia is at present not meeting all its commitments under the pact with the United States to train troops in coastal defense; Ecuador has indicated dissatisfaction with the pact it signed last year because this provides only antiaircraft artillery, whereas the army desires infantry supplies.

Latin America gave its prompt approval, both within the UN and the Organization of American States, when the United States intervened in Korea, but the enthusiasm soon waned. Colombia sent troops, but the plans of other countries to do so were first delayed and then dropped. The Latin American

nations have also seen little need to implement their 1951 pledge to increase the output of strategic materials. While they admit the necessity and advantage of some cooperation in an all-out war, there is a growing belief that the present crisis is not so urgent as the United States insists, that it does not warrant sacrificing their men, depleting their resources, and suspending industrialization programs.

IV. Communism

Current Communist strategy seeks to exploit and hasten the trends toward economic nationalism, a purely Latin American regionalism, and neutralism. This strategy is advanced by the Soviet and Satellite diplomatic missions as well as by the national Communist parties, labor organizations, and front groups. The local Communists are capable of some serious initial sabotage in strategic industries and vital installations, but could probably be brought under control by national security forces. Trained foreign agents probably represent a more dangerous sabotage threat.

Politically, however, the Communists are nowhere strong enough to dominate government policy.* Even in Cuba, the Popular Socialist Party, one of the largest Communist parties in Latin America with over 60,000 known electoral affiliates, did not influence the former Prio regime and is even a lesser factor today under the Batista government. Its future strategy may be affected by the current struggle between Batista and opposition elements headed by the deposed president; but even should the latter triumph, Communist influence will probably not appreciably increase.

---

* In the French West Indies, three of the six present deputies to the National Assembly in Paris are Communists, but in the foreseeable future ultimate power will remain with the non-Communist government officials from metropolitan France.

Communist-proposed measures, however, have been openly welcomed by the Guatemalan Government and have been plagiarized by Argentina. The "dissident" Communists, who have gained considerable influence in Argentina, have ready access to Peron, and advise him on key policies such as the anti-US campaign, and the drive for economic self-sufficiency. There seems little doubt of their loyalty to international communism; but Peron, who is easily influenced and isolated by his advisers, accepts them as good Peronistas.

The Soviet and Satellite diplomatic missions have increasingly directed their activities toward the promotion of trade relations in order to obtain strategic materials, thereby playing on the widespread desire of Latin American countries to reduce their dependence on the United States. At present there are Orbit missions in Mexico, Ecuador, Brazil, Uruguay, and Argentina; trade propaganda is given further circulation by traveling commercial representatives, trading firms, and local Communist cultural fronts and ethnic societies.

Accelerated Soviet efforts to obtain strategic materials were foreshadowed at the Moscow Economic Conference in April 1952, at which over 30 Latin American delegates were present.

Subsequently there was created the Social and Economic Control Commission for Latin America, with headquarters in Prague, which seeks to establish international economic and cultural agreements.

On 7 February 1953 Argentina's new ambassador to the Soviet Union reportedly discussed trade negotiations between the two countries in a 45 minute meeting with Stalin.

Similar developments in the rest of Latin America include the conclusion of a Polish-Brazilian trade pact, negotiations for a Soviet-Argentine trade agreement, and intensified efforts by various Soviet, Hungarian, Rumanian, and Czechoslovak representatives to reestablish diplomatic and commercial relations with Chile. Most of these trade promotion efforts have failed, but they have made Latin Americans more aware of the potential profits in East-West trade.

Current international Communist policy apparently calls for Latin American Communists to cooperate with non-Communist political groups to promote nationalism, even at the sacrifice of Communist identity and leadership. Communist support

of nationalism and support of non-Communist, nationalistic, parties is not new in Latin America; but it may be significant that in December the Guatemalan Communist Party officially changed its name to the Guatemalan Labor Party after a visit by the Secretary General of the Mexican Communist Party, who had just returned from Moscow.

Similarly, in Argentina, the Communist party supports the Peron regime, and in Mexico, Vicente Lombardo Toledano, prominent pro-Communist labor leader recently announced his support of the pro-US administration of Ruiz Cortines. The Latin American Communists apparently anticipate an intensification of economic problems such as those which set the stage for Peronist nationalism in Argentina and for the leftist revolution in Bolivia last April.

Latin American Communists evidently want to be in a position to provide leadership or to suggest positive programs of action through alliances with, or infiltration of, the major political parties, even though their own parties are small and subject to repression.

The effectiveness of Communist efforts to exploit nationalist sentiment has already been demonstrated in Brazil where the Communist-sponsored postwar campaign to prevent foreign exploitation of petroleum has achieved wide support. The contacts resulting from this tactic were useful in the

so far successful Communist effort to prevent the dispatch of the Brazilian troops to Korea, despite the special urging of the United States.

Organized labor has probably been the group most receptive to Communist propaganda for the nationalization of foreign-owned enterprises. Since 1950, the pro-Communist Latin American Confederation of Labor (CTAL) has attempted to form "national anti-imperialist fronts" in all Latin American countries and to concentrate on common labor objectives instead of political goals. Though denouncing Peronism, it has praised the anti-imperialist objectives of its new labor competitor, the Argentine-sponsored ATLAS, and reputedly plans to invite representatives of both ATLAS and the anti-Communist ORIT to its general congress this year. With the support of the World Federation of Trade Unions, the Latin American Confederation of Labor has sponsored regional trade union conferences and has probably increased its potential effectiveness. It has not, however, been successful in promoting unity with non-Communist groups or in preventing the substantial drop in its own membership, resulting in part from the increased anti-Communist pressures of many of the governments.

Communist propaganda presents Latin America as a semi-colonial area which is obliged to make excessive economic, political, and military sacrifices to support US "imperial-

ism." Throughout Latin America, Communist front groups have been organized to advance this propaganda, and through them the Communists have effectively broadened their contact with all segments of society. The inadequate attention Latin American governments frequently give to civil rights, social security, child welfare, public health and education is blamed on the governments' collaboration with, or domination by, the United States.

Indirectly aided by Soviet subsidies, more and more Latin American delegates have been attending international Communist front meetings in the last two years. For example, some 90 delegates representing 12 Latin American nations attended the Peiping Peace Conference in October 1952. An even larger Latin American attendance, possibly reaching 200, was present at the Vienna Peace Conference in December. These delegates often have the opportunity to attend training courses in Europe and to write or lecture on their return; they could be the leaders of a broad popular pro-Communist movement should the opportunity arise.